

# **High-end Business Software in mid-sized Businesses: A Factor for Success or an Ordeal?**

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## **Key words**

Mid-sized market, SMB (small and medium-sized businesses), Business Software (ERP, CRM, SCM, HCM), Oracle Accelerate, Oracle Applications, SAP

## **Abstract**

The mid-sized sector is focused on again and again by major business software producers. Ambitioned programs for mid-sized companies are offered since years in order to introduce mid-sized companies to the respective software.

The following chapters will describe the specifics, which have to be considered when implementing high-end business software in the mid-sized sector. In addition, precise criteria are pointed out, which will show when such software becomes necessary. After that, the factors for success, which have to be considered, and a concrete procedure model, which was especially designed for the mid-sized sector, are looked at. The author can look back on more than 30 projects from the mid-sized sector when making his remarks.

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## 1 Introduction

The worldwide market for business software is currently experiencing a competition that rather reminds of dreadful massacres from the Hun-times instead of peaceful market events. The big producers are trying to enforce market-consolidation by means of implementing new technology platforms (e. g. SAP NetWeaver, Oracle Fusion Middleware), migration- and service offers for competitor products (e. g. SAP Safe Passage) and taking over competitors (e. g. PeopleSoft and Siebel), and to draw customers into their economical systems. Especially for Oracle taking over branch specialists (G-Log, Retek, i-flex, just to name a few) is an effective strategy with which entire market segments can be developed.

When taking a closer look it becomes clear that consolidation primarily leads to a shift of market shares. That is the reason why the large producers re-spot the mid-sized sector every few years as target market with the highest growth potential. They try to make their software tasty to mid-sized customers with ambitious programs for mid-sized businesses. Oracle has aligned three programs over the years: Fast Forward, Special Edition and now Accelerate. And at the moment SAP is even trying to capture the mid-sized sector with three programs at the same time: Business One, All-in-One, and Business ByDesign (Codename: A1S)

Now which of all producers will leave the field behind with his programs? Does the mid-sized sector even need high-end software to be successful in its markets? What are the mid-sized businesses peculiarities that producers have to consider? How do implementation and operation of a high-end business software have to take place in order not to become an ordeal?

This contribution addresses all of these questions and tries to give recommendations. Based on a critical focus on the business software market a definition of the very vaguely defined term “mid-sized business” is done. Based on comprehensive project experience with the Oracle E-Business Suite, which can also be easily transferred to competing products, particularities of using business software in mid-sized businesses are illustrated and criteria are defined. These can be used to evaluate the necessity of high-end software. Further emphasis is laid on the implementation method, which – next to the software’s application characteristics – is decisive for success or failure in the mid-sized sector.

## **2 Peculiarities of the mid-sized Sector**

Before focusing on the specifications of business software products in the mid-sized sector, the term “mid-sized business” has to be resolved first. Business software developers like to use quantitative factors to segment their target markets, such as turnovers (e. g. max. EUR 500 m or only 50 m, depending on the guidelines given by the German Institute for Mid-Sized-Business Research (IfM)) or the number of employees (most max. 500 employees). Even though handy business rules can be defined for marketing purposes by these means, they do not lead to goals in project practice: on one hand they do not consider branch specifics and on the other hand they do not help to keep in mind, that a company – for example regarding its structure, its business model or its connection into real or virtual company networks – can have professional requirements, which do not differ in any way from those of large companies.

Perhaps even more important are the differences in decision processes, which in the mid-sized sector are affected by the company management’s liable contribution to all business political relevant decisions. This way of active contribution very much affects the entire life cycle of business software – from the first project idea to the selection process and implementation and across the complete useful life.

### 3 Experience from Projects in the mid-sized Business Sector

The following works out criteria – based on experiences from more than 30 projects in the mid-sized sector with the Oracle E-Business Suite – which may be called on to assess the use of high-end business software (in the following named “XXL-Software”) in mid-sized businesses.

#### 3.1 Project Structure

Business software projects in the mid-sized sector significantly differ from those in large projects in major enterprises. While the projects there are part of project portfolios, which are coordinated project-spanning, in mid-sized businesses many “birds are killed with one stone” in line with the implementation of new business software (see Fig. 1). Business processes are reengineered, a Quality- or also a Risk Management are implemented, Compliance Guidelines are realized, virtualization is enforced on process- and IT-levels or also the convergence of IT- and communication technologies. Often the necessary budgets and resources are not available for these “by-goals”

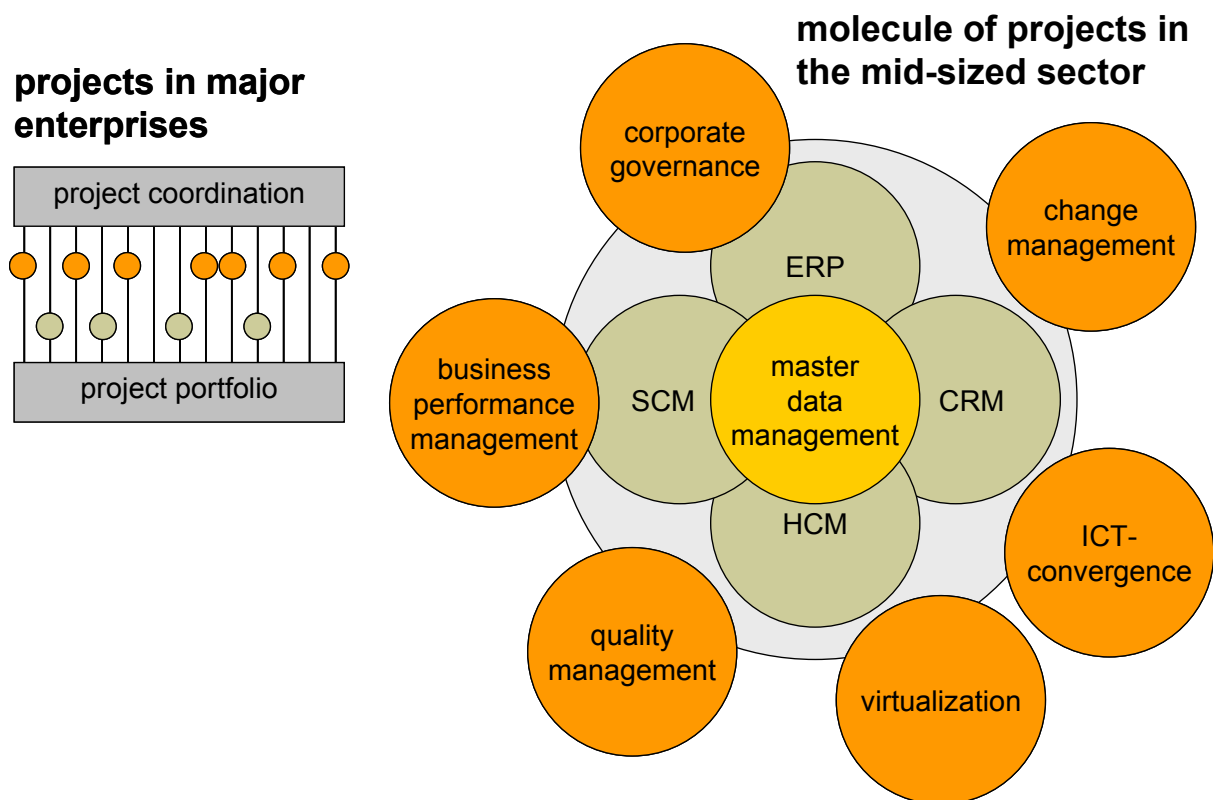


Figure 1: Comparison of project landscapes in mid-sized businesses and major enterprises

### **3.2 Project Team**

Projects of mid-sized businesses are often affected by IT-departments which are not adequately provided with resources and budgets or they are missing completely. Another problem are key-users that are not explicitly released for the project. And oftentimes business knowledge – also cross-process and cross-department – is shared by only few “Business Champions”, which are often the important contact persons for the implementing party. Likewise managers with limited or at least unclear decision competence are met, so that all important decisions have to be escalated to the highest management level. And a never to be underestimated fact: in many mid-sized businesses do not have a project culture and project experience is only made in line with the project.

### **3.3 Professional Requirements**

Concerning the professional requirements mid-sized businesses do have particularities. However they are not shortened compared to major enterprises in their multitude and complexity. It is a problem though that many workflows are structured only merely or not at all. And ad-hoc workflows are considered a competitive advantage by the responsables – whether rightly or wrongly. Sometimes it is simply due to rather small activity volumes and the influence of large business partners on internal processes, either directly or by the mechanisms of competition (e. g. supplier subject matters). Finally a mid-sized business’s small branch offices oblige to implement special simplified process variants. All of these specifications often let the automation of workflows by means of XXL-Software become a very expensive endeavor.

One thing that keeps on leading to problems is the fact that in mid-sized businesses many jobs are found with process-and department spanning tasks (e. g. the sales representative checks the manufacturing degree of an ordered product right in the production). These tasks are mapped within the XXL-Software by numerous far-scattered functions with negative effects on system-acceptance and training efforts. It is also critical that indeed all functions are necessary, just as they are absolutely necessary in large companies and enterprises, however a number of descriptive and classifying attributes can “beat down” a user from a mid-sized business with complex masks and reports,.

Since business software implementation should not only cover existing requirements but most of all should live up to new requirements, users are often confronted with a surplus load, which can easily jeopardize the acceptance. In so far it is important to make clear, which ones are really new requirements, wanted by the company management, e. g. KPI-based Company management, SOX-Compliance or also more complex and integrated planning procedures.

## 4 When is XXL-Software needed?

Based on the reflections regarding the peculiarities in projects in the mid-sized sector, we will now turn to the question, when XXL-Software is needed in the mid-sized sector. Is an enterprise-like company structure given with relatively many branch offices in different countries, with maybe numerous consolidation levels and is multilingualism required? Then XXL-Software is obviously necessary. The same is valid in case the company has to be integrated into a superior enterprise network. Also when virtual structures and strong collaborative elements can be found in the business model, the requirements regarding involving external partners can blast the possibilities of a solution for mid-sized businesses. This also shows in practice in higher requirements regarding the flexibility to frequently changing business structures and business models as well as scalability in anticipation of growth impulses.

Further reasons to go with XXL-Software are large data volumes and increased requirements regarding data security. Also when business objects to be processed are complex or show customer specific structures, XXL-Software should be considered. This counts just the same for business processes: frequent changes, customer specifics, scalability and avoidance of changes in mediums and the integration of different business applications can be serious reasons for XXL-Software. In case processes have to be adapted to specifications of important business partners, the XXL-Software is necessary in any way.

Another area, where the XXL-Software has clear advantages is the KPI-based Business Management: when full transparency about process performance across all business procedures is needed – and that in real-time (see Real-time Enterprise). There are further advantages in Corporate Governance (e. g. SOX-Compliance) and branch specific Compliance (GxP, FDA, BaFin-specifications, etc.) and when consequently realizing Quality- and Risk Management strategies are part of the agenda!

## 5 Slender Implementation of XXL-Software

After making the decision in favor for XXL-Software, the implementation project is next. Here there are some more hurdles to take. What the factors for success are for such a projects and how a procedure model might look like is shown in the following.

### 5.1 Factors for Success in an Implementation Project

An important factor for success is the controllability of a project. It is important to be able to keep an eye on the project's complexity and duration. Based on our experience such a project should never take up more than 6 to 12 months. This enables for a fast Return-on-Investment. In case this recommended max. term cannot be achieved, sub-projects should be done or a "wavelike" implementation strategy should be chosen. By the way: projects in mid-sized businesses resp. the implementation of functionalities should better be "well-portioned", thus be rescheduled to follow-up releases. That way "digesting" problems can be avoided on the user-side.

Very important – even in small implementation projects – a clearly defined project structure and diligently project management, and involvement of the highest-level management in a periodically meeting steering committee. The procedure model has to be tailored to fit mid-sized businesses and has to be clearly defined and communicated within the project team. Thinking in processes is an important factor for success, which is noticeable in both quality and project effort. Especially when this thinking is equally practiced on both sides, by users and implementation partner and when this is also found in the software to be implemented.

A critical subject are the communication- and documentation technologies applied in the project, which have to ensure to optimally involve key users. Especially in relation to the efforts a key user has for workshops, reviews and tests. Here, process model tools in connection with Best Practices in form of – ideally branch-oriented – reference models have proven themselves very convenient. However they do not make up for a targeted prototyping, which prove themselves as indispensable in all project phases regularly. It is important though that the prototyping is user-oriented bedded into a spanning procedure model and supported by efficient tools.

The mid-sized sector is very open to applying Best Practices – especially in those ranges, where processes are strongly standardized and show only few differing characteristics to competition. Best Practices can be offered by means of reference models, pre-configured systems and also special branch packages (see Oracle Accelerate).

The know-how transfer is another critical factor for success. It enables the customer to save implementation- and operation costs by internal contribution. Often neglected but essential: the organizational Change Management. Here, all measures are summarized, which are necessary to realize new processes and systems fast and cost-efficiently within the organization and at the same time ensure a sustainable user-acceptance.

## 5.2 Procedure Model-example: IQPM™ “Maturity model”

In the market different procedure models are used to implement XXL-Software in mid-sized businesses. Mostly these are procedure models developed by global implementers or even by software producers themselves in line with implementation projects in global enterprises. These have the advantage that they offer a proven framework for project processing. However, in the mid-sized sector they are often over-sized and over-dimensioned. So often “slimmed down” models are used, though they hardly ever live up to factors of success named above.

Figure 2 shows a typical example for a procedure model developed especially for the mid-sized sector. The displayed model demands an evolutionary procedure within the implementation project, which is visible from the realization spirals. Characterizing are the use of Best Practices in connection with capable Business Process Software as well as the use of prototyping technologies.

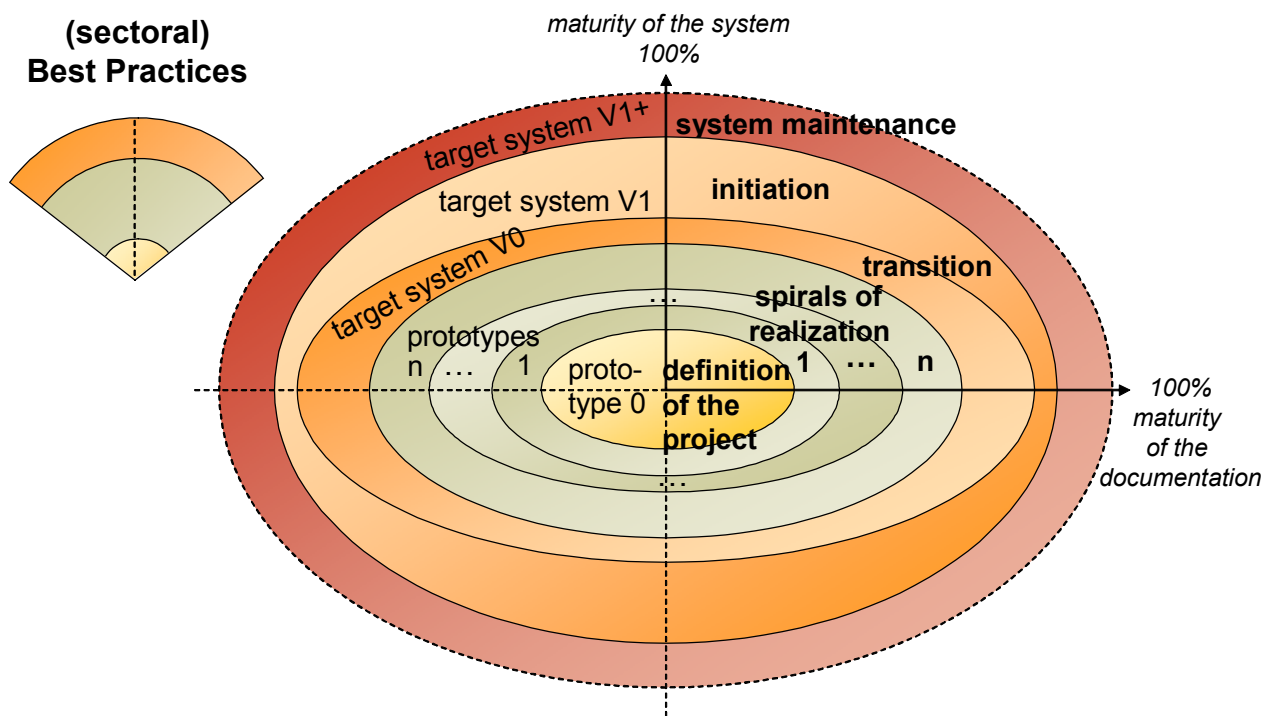


Figure 2: Draft of the Procedure Model IQPM™ (Source: PROMATIS software GmbH)

## 6 Summary and Outlook

Now that some of the most important aspects regarding the use of high-end business software in mid-sized companies have been outlined and discussed, the question, whether it would be a “Factor for success or an ordeal?” can clearly be answered: “Depends!” This – admittedly unsatisfactory – answer can be “up-graded” by a few following tips:

- Tip 1:  
The decision about the use of a high-end Business Software in the mid-sized sector should be the result of strategic considerations (Business Models, future perspectives, investment security...) and an intensive view on the professional requirements.
- Tip 2:  
The Business Software Implementation Project should not be and unscheduled mix-up with other projects.
- Tip 3:  
The implementation procedure has to consider the conditions given by a mid-sized company and provide stringent cost- and schedule planning.

And if it is then possible to turn the XXL-Software-Implementation to a strategic company management project, then all requirements are met to make a success story of the use of a XXL-Software.

### Information

The listed products are trademarked and property of the trademark owner. Version of documentation: April 2008

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